

Testimony of Ben Wootton
President, Keystone BioFuels, Inc
Shiremanstown, Pennsylvania
Before the U.S. House of Representatives Committee on Small Business, Subcommittee on
Regulations and Healthcare, entitled “*The Impacts of Outstanding Regulatory Policy on*
***Small Biofuels Producers and Family Farmers.*”**
May 21, 2009

Chairwoman Dahlkemper, Ranking Member Westmoreland and Members of the Subcommittee, I thank you for the opportunity to testify today.

I am here today on behalf of Keystone Biofuels, a small biodiesel production company located in Pennsylvania. We are the longest running biodiesel production facility in the state and work extensively with State and Federal public officials in forming and implementing good public policy on biodiesel. Biodiesel is a high-quality, low carbon renewable diesel replacement fuel that is readily accepted in the marketplace. I applaud you and the Committee in taking an interest on the impacts of outstanding regulatory policy on small biofuel producers and family farmers.

Although there are several outstanding regulatory policies that impact biodiesel, I’m going to focus my testimony today on the 2008 Farm Bill’s Section 9005 – The Bioenergy Program for Advanced Biofuels.

Bioenergy Program:

The Farm Bill reauthorizes the Bioenergy Program for Advanced Biofuels. The program provides support to, among others, biodiesel producers to help offset feedstock costs. Specifically, the program:

- Provides \$300 million in mandatory funding for the program over the 5 year duration of the Farm Bill. In addition, the legislation authorizes an additional \$25 million in funding each year from FY 2009 through FY 2012, subject to Congress providing this additional funding during the course of the annual appropriations process.
- Ethanol produced from corn would not qualify for the program.
- Creates two classes of producers for purposes of payments under the program:

Producers with a production capacity smaller than 150 million gallons will be eligible for 95% of the money provided for the program.

Producers with a capacity over 150 million gallons will qualify for 5% of program funds.

- Legislation allows the Secretary of Agriculture to structure the program in a manner that will allow all gallons of production to qualify for the program. The final structure will ultimately be determined by the USDA rulemaking process that will implement the program. This is a significant change from earlier versions of the legislation that specifically limited program support to new production.

Why is the Bioenergy Program Important for U.S. Biodiesel?

U.S. biodiesel industry is facing an economic crisis. Plants are having difficulty accessing operating capital. In addition, there is a reduced demand for biodiesel due to the economic downturn and delayed implementation of the RFS-2 Biomass-based Diesel schedule. If prolonged, this downturn will lead to a severe retraction in the U.S. production capacity. Due to current market conditions, less than one-third of the industry's facilities are currently producing fuel. The program provides support to biodiesel producers to help offset the costs of the feedstock used to produce biodiesel. Feedstock costs make up more than 80% of production costs. Over the past year, feedstock costs have remained volatile, reaching record highs and making it difficult to economically produce the fuel. A Bioenergy Program that provides payment on all gallons of production will help all U.S. biodiesel producers displace petroleum with clean-burning, domestically produced biodiesel.

The U.S. Benefits from Increased Biodiesel Production and Use:

Energy Security: The U.S. biodiesel industry is providing both new fuel and new refining capacity to the nation's energy infrastructure. Nearly 700 million gallons of biodiesel were produced in 2008 displacing almost 28 million barrels of petroleum. Biodiesel creates 3.5 units of energy for every unit of energy used in the production of the fuel.

Environmentally Friendly: Biodiesel reduces lifecycle carbon dioxide emissions by 78%. The 700 million gallons of biodiesel produced in the U.S. last year represents over 11 billion pounds in carbon reduction, the equivalent of removing over 900,000 passenger vehicles from the nation's roadways. Biodiesel use also significantly reduces emissions of sulfur dioxide, carbon monoxide and particulate matter.

Job Creation in Rural America: Production at America's biodiesel plants in 2007 added over \$4 billion to the U.S. economy, increased household income by over \$960 million and supported over 21,000 jobs.

Biodiesel and Small Business

The President has declared this week National Small Business Week. He said "the entrepreneurial spirit lies at the core of our Nation's economy and identity. If Americans with good ideas can work hard, put their plan to the test, and succeed, the American economy will continue to create jobs and lead the world in innovation and productivity". The U.S. Biodiesel industry is doing just that. Our industry's ingenuity and hard work are critical to our Nation's

prosperity. Small businesses are the lifeblood of cities and towns across the country. Over the last decade, small businesses created 70 percent of all new jobs, and they are responsible for half of all jobs in the private sector. Our industry, with the help of this committee, can contribute and lead the way to prosperity, particularly in today's challenging economic environment. Biodiesel is reducing our dependence on foreign oil, we are helping in the fight on climate change, and we are creating new jobs in America. The nation that leads in 21st century clean energy is the nation that will lead the 21st century global economy. America can and must be that nation.

The production and use of biodiesel is consistent with an energy policy that values the displacement of petroleum diesel fuel with low carbon renewable fuel. As stated, there is also significant energy security, in addition to, environmental and economic public policy benefits associated with biodiesel use. The new Bioenergy Program for Advance Biofuels is a necessary program to continue the development of biodiesel nationwide. We encourage a program consistent with the following:

- A feedstock neutral program for all domestic biodiesel producers where all producers are treated the same and receive the same amount on each gallon of production.
- A program that is measured on the gallon of biodiesel rather than on feedstocks or some other methodology.

In conclusion, I encourage your committee to urge the USDA to move expeditiously to implement the Bioenergy Program and provide payments to US biodiesel producers in fiscal year 2009, retroactive to October 1, 2008. Our single priority is to ensure that the Bioenergy Program payments are provided on all gallons of biodiesel produced. Our challenge is that this policy was passed last year and the biodiesel industry is still waiting for USDA to implement the program. The \$300 million provided for the Bioenergy Program for Advanced Biofuels in the Farm Bill will help bring some stability to the industry so that biodiesel can continue to add to the nation's fuel supply.

Keystone Biofuels looks forward to working with you on the implementation of this program and if you have any questions for me concerning this issue or on biodiesel in general, please contact me at (717) 761-3511 or at by email at benwootton@comcast.net.